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IN THE

Supreme Court of the United States

OCTOBER TERM, 1994

ORTHO PHARMACEUTCAL CORP.,

Petitioner,

—v.—

GENETICS INSTITUTE, INC. and AMGEN, INC.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the holder of an exclusive license to practice a patent in a particular field-of-use has standing to seek damages for infringing acts within its designated field-of-use, where the patent owner is joined as a party.

2. Whether standing for an exclusive field-of-use licensee to sue for infringement within its designated field-of-use is measured by the exclusivity of its rights with respect to the *entirety* of the "use" right covered by the patent, or by the exclusivity of its rights within the *particular* field-of-use.

LIST OF PARTIES

The names of all parties to the proceeding in the court whose judgment is sought to be reviewed are the parties listed in the caption of this Petition.

STATEMENT PURSUANT TO RULE 29.1

Petitioner Ortho Pharmaceutical Corp. ("Ortho") is a subsidiary of Johnson & Johnson. Ortho does not have any subsidiaries or affiliates that have issued shares to the public.

TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	iii
OPINIONS BELOW	1
STATEMENT OF JURISDICTION	2
STATUTES INVOLVED IN THE CASE	2
STATEMENT OF THE CASE	2
A. The Nature Of This Action	4
B. Factual Background	5
1. Ortho's Field-Of-Use License	5
2. Genetics Institute's Infringing Acts	6
C. Procedural History	6
1. Amgen's Infringement Action Against Chugai and Genetics Institute	6
2. Consolidating Of This Case With *Amgen v. Chugai*	8
3. The District Court's Decision on Standing	8

4. Ortho's Motion For Rule 54(a) Certification 11

5. The Federal Circuit's Decision 12

REASONS FOR GRANTING THE WRIT . . . 14

I. The Federal Circuit's Decision Conflicts with Decisions of This Court and of Other Circuits 14

II. Allowing Exclusive Field-Of-Use Licensees to Sue for Infringement In Their Designated Field-Of-Use Is "Indispensable" 16

CONCLUSION 23

TABLE OF AUTHORITIES

Page

Amgen, Inc. v. Chugai Pharmaceutical Co., 808 F. Supp. 894 (D. Mass. 1992) 1, 9-11, 13

Armstrong v. Motorola, Inc., 374 F.2d 764 (7th Cir.), *cert. denied*, 389 U.S. 830 (1967) 20

Barr Rubber Products Co. v. Sun Rubber Co., 277 F. Supp. 484 (S.D.N.Y. 1967), *modified on other issues*, 425 F.2d 1114 (2d Cir.), *cert. denied*, 400 U.S. 878 (1970) 20

Brunswick Corp. v. United States, 19 USPQ2d 1702 (Ct. Cl. 1991) 14

Calgon Corp. v. Nalco Chemical Co., 726 F. Supp. 983 (D. Del. 1989) 19

Cold Metal Process Co. v. E.W. Bliss Co., 285 F.2d 231 (6th Cir. 1960) 19

Dreamlite Holdings Ltd. v. Kraser, 9 USPQ2d 1401 (E.D.N.Y. 1988), *aff'd*, 878 F.2d 1446 (Fed. Cir. 1989) 19

Duplan Corp. v. Deering Milliken Research Corp., 522 F.2d 809 (4th Cir. 1975) 18, 20

General Talking Pictures Corp. v. Western Electric Co., 304 U.S. 175, *aff'd on rehearing*, 305 U.S. 124 (1939) 20

Hageman v. City Investing Co., 851 F.2d 69 (2d Cir. 1988) 12

Huene v. United States, 743 F.2d 703 (9th Cir. 1984) 12

Independent Wireless Telegraph Co. v. Radio Corp. of America, 269 U.S. 459 (1926) . . . . . passim

Jeoffroy Mfg. Inc. v. Graham, 206 F.2d 772 (5th Cir. 1953), *cert. denied*, 337 U.S. 920 (1954) 19

Kraft, Inc. v. Local Union 327, Teamsters, 683 F.2d 131 (6th Cir. 1982) 12

Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700 (Fed. Cir. 1992) 10

Ortho Pharmaceutical Corp. v. Genetics Institute, Inc., 52 F.3d 1026 (Fed. Cir. 1995) 1, 12, 13, 15

Philadelphia Brief Case Co. v. Specialty Leather Products Co., 145 F. Supp. 425 (D.N.J. 1956), *aff'd*, 242 F.2d 511 (3d Cir. 1957) 17

Pratt & Whitney Co. v. United States, 153 F. Supp. 409, 114 USPQ 246 (Ct. Cl. 1957) 15

Q-Tips, Inc. v. Johnson & Johnson,
109 F. Supp. 657 (D.N.J. 1951), *aff'd*,
207 F.2d 509 (3d Cir. 1953), *cert. denied*,
347 U.S. 935 (1954) 20

Sanofi, S.A. v. Med-Tech Veterinarian Products, Inc., 565 F. Supp. 931 19

Sanofi, S.A. v. Med-Tech Veterinarian Products, Inc., 222 USPQ 143
(D. Kan. 1983) 15

Schneider (Europe) AG v. SciMed Life Systems, Inc., 28 USPQ2d 1225
(D.Minn. 1993) 17

Site Microsurgical Systems, Inc. v. Cooper Companies, Inc.,
797 F. Supp. 333 (D. Del. 1992) 19

United States v. Studiengesellschaft Kohle, m.b.H., 670 F.2d 1122 (D.C.C. 1981) 20

Waterman v. McKenzie,
138 U.S. 252 (1891) 17, 18

Weinar v. Rollform, Inc., 744 F.2d 797
(Fed. Cir. 1984), *cert. denied*, 470
U.S. 1084 (1985) 18

Western Electric Co., Inc. v. Pacent Reproducer Corp., 42 F.2d 116
(2d Cir. 1930) 14, 20

Rules

Rule 54(a), Fed.R.Civ.P. 11, 12

Statutes

28 U.S.C. § 284 19

29 U.S.C. § 1254(a) 2

35 U.S.C. 281 2

35 U.S.C. 284, ¶ 1 . . . . . 2, 19

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PETITION FOR A WRIT OF CERTIORARI TO
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PETITION FOR WRIT OF CERTIORARI

Ortho Pharmaceutical Corp. ("Ortho") requests that this Court issue a writ of certiorari to review the opinion of the United States Court of Appeals for the Federal Circuit entered on April 5, 1995.

OPINIONS BELOW

The decision of the U.S. Court of Appeals for the Federal Circuit is reported at 52 F.3d 1026, and is reproduced as Appendix A hereto. The district court decision dismissing Ortho's complaint for lack of standing is reported *sub nom. Amgen, Inc. v. Chugai Pharmaceutical Co.*, 808 F. Supp. 894 (D. Mass. 1992), and is reproduced as Appendix B.

The Report and Recommendation of Magistrate Saris, dated May 5, 1989, recommending denial of Ortho's motion to intervene in the liability phase of an action captioned *Amgen, Inc. v. Chugai Pharmaceutical Co.* (hereafter, *"Amgen v. Chugai"*), is unreported and is reproduced as Appendix C. The order of the district court, dated May 26, 1989, approving the Magistrate's report and recommendation on Ortho's motion to intervene in the liability phase of the *Amgen v. Chugai* case and denying the motion to intervene, is unreported and is reproduced as Appendix D. The order of the district court consolidating this action with the *Amgen v. Chugai* case is unreported and is reproduced as Appendix E. The order of the district court rescinding the consolidation of this case with *Amgen v. Chugai,* which order was entered in response to Ortho's motion to certify the order dismissing this case for appeal pursuant to Rule 54(a), Fed.R.Civ.P., is unreported and is reproduced as Appendix F.

STATEMENT OF JURISDICTION

Jurisdiction in this Court is based upon 29 U.S.C. § 1254(a). The decision and judgment of the U.S. Court of Appeals for the Federal Circuit was entered April 5, 1995, and is printed herein as Appendix A.

STATUTES INVOLVED IN THE CASE

35 U.S.C. 281: " A patentee shall have remedy by civil action for infringement of his patent."

35 U.S.C. 284, ¶ 1: "Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer together with interest and costs as fixed by the court."

STATEMENT OF THE CASE

This case presents an important question concerning standing by exclusive licensees to sue for patent infringement: Whether the holder of an exclusive license to practice a patent in a particular field-of-use has standing to sue for acts of infringement in that field-of-use, where the patent owner is joined as a party. It also presents the question of whether the measure of standing for the holder of such a license is: (a) the exclusivity of its rights with respect to the *entirety* of the "use" right covered by the patent (which was the approach taken by the Federal Circuit in this case), or (b) the exclusivity of its rights with respect to the *particular field-of-use* where the acts of infringement occurred.

Until the Federal Circuit's decision in this case, it was settled law that exclusive licensees have standing to sue for acts of infringement in their designated field-of-use, provided that the license confers exclusive rights in that particular field, and provided further that the patent owner is joined as a party. This Court so held in *Independent Wireless Telegraph Co. v. Radio Corp. of America*, 269 U.S. 459 (1926).

The Federal Circuit's decision is in direct conflict with this Court's decision in *Independent Wireless*, and effectively overrules it. It does this by making standing for an exclusive field-of-use licensee depend on whether the license confers exclusive rights in the *entirety* of the "use" rights covered by the patent. The problem with this approach is that a field-of-use license, by definition, confers rights only in a particular field and not in the *entirety* of the "use" right. Thus, the Federal Circuit's approach makes it impossible for the holder of an exclusive field-of-use license to sue for infringing acts in its designated field-of-use.

The consequences of the Federal Circuit's decision go beyond the geographical boundaries of any regional circuit. Because all appeals in patent cases are heard by the Court of Appeals for the Federal Circuit, the Federal Circuit's decision changes the law for all patent cases throughout the country. Unless this Court grants certiorari, its decision in *Independent Wireless* will have been effectively overruled, as a matter of uniform national law.

A. The Nature Of This Action

In this action, Ortho seeks damages from Genetics Institute for its infringement of U.S. Patent No. 4,703,008 (the "'008 patent"). The '008 patent covers a DNA sequence and transfected host cells that are used to make a hormone known as erythropoietin or "EPO." EPO stimulates the body's production of red blood cells. Recombinant EPO is widely used to treat anemia.

Ortho holds an exclusive license to use the '008 invention in the United States, *inter alia*, to make EPO, in the United States, for use and sale everywhere in the world outside the United States (excluding China and Japan).

The field-of-use covered by Ortho's license is the same field-of-use where Genetics Institute committed its infringing acts. Those acts consisted of Genetics Institute's use of the patented invention in the United States, to make EPO in the United States, for use and sale in Europe. *Thus, Ortho has an exclusive license to use the '008 invention in the very same field-of-use where Genetics Institute's acts of infringement took place.*

Genetics Institute's infringing acts deprived Ortho of the exclusivity to which Ortho is entitled in its field-of-use,

and deprived Ortho of profits it could have earned but for the acts of infringement.

B. Factual Background

1. Ortho's Field-Of-Use License

Ortho's exclusive right to use the '008 invention in the United States to make EPO in the United States for use and sale abroad derives from a license agreement that Ortho entered into with Amgen, Inc. ("Amgen") in 1985. At the time, Amgen owned the application for the patent that later issued as the '008 patent.

The Ortho/Amgen License Agreement divides the entirety of the right to use the '008 technology in the United States into two portions: (a) the right to use the '008 technology to make EPO in the United States, for use and sale *within* the United States, and (b) the right to use the '008 technology to make EPO in the United States, for use and sale *outside* the United States (excluding China and Japan).

The License Agreement gives Ortho the exclusive right to use the '008 technology to make EPO in the United States, for use and sale *outside* the United States (excluding China and Japan).[1] (A 144). Amgen did not retain any right to use the '008 technology in this field-of-use. Nor did it retain the right to grant further licenses to third-parties in this field-of-use.

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[1] The License Agreement also gives Ortho certain rights to use the '008 technology, in the United States, to make EPO for use and sale *within* the United States. (A 144).

Under the terms of the License Agreement, Ortho is thus the only entity entitled to use the '008 invention, in the United States, to make EPO in the United States, for use and sale everywhere in the world outside the United States (excluding China and Japan).

2. Genetics Institute's Infringing Acts

Notwithstanding Ortho's exclusive license, Genetics Institute has used the '008 invention in the United States to make EPO in the United States for shipment to its European licensee, Boehringer Mannheim GmbH, for use and sale in Europe. Thus, Genetics Institute has used the '008 invention in the very same field-of-use where Ortho has exclusive rights.

Genetics Institute's use of the '008 invention for that purpose, in the United States, was not authorized, and it constitutes infringement of the '008 patent.

These acts of infringement in Ortho's field-of-use directly injured Ortho, depriving Ortho of its exclusive right to be the only manufacturer of EPO in the United States for use and sale abroad. Genetics Institute was paid more than $34 million by Boehringer Mannheim for the EPO it produced in the United States by its infringing acts in Ortho's exclusive licensed field.

C. Procedural History

1. Amgen's Infringement Action Against Chugai and Genetics Institute

When the '008 patent issued in 1987, Amgen brought suit against Genetics Institute and Chugai Pharmaceutical Co., Ltd., for infringing that patent. That suit was brought in the U.S. District Court for the District of Massachusetts, and was

captioned *Amgen, Inc. v. Chugai Pharmaceutical Co., et al.* (hereafter, *"Amgen v. Chugai"*). The district court bifurcated the *Amgen v. Chugai* case into separate phases for liability and damages, with the liability phase to be tried first.

Ortho sought leave to intervene in *Amgen v. Chugai* before either the liability or damage phase was tried. The district court denied Ortho's motion on the grounds that: (a) Amgen could adequately protect Ortho's rights with respect to *liability*, and (b) intervention could delay the upcoming trial in the *liability phase*. The Court did not address Ortho's right to intervene in the damage phase, once the liability phase ended.

Although the district court found that Amgen could adequately protect Ortho's rights with respect to *liability*, it never made a finding that Amgen could adequately protect Ortho's rights with respect to *damages*. Nor could it have made such a finding. Amgen has never even *attempted* to protect Ortho's rights with respect to damages. In fact, Amgen has done precisely the opposite: It has tried to usurp the damages attributable to Genetics Institute's infringement in Ortho's exclusive licensed field.

The liability phase of the *Amgen v. Chugai* case proceeded to trial before a magistrate in 1989. Upon conclusion of that trial, the district court held that the '008 patent is valid and enforceable, and was infringed by Genetics Institute. The Federal Circuit affirmed these findings in a decision that is reported at 927 F.2d 1200 (Fed. Cir.), *cert. denied*, 502 U.S. 856 (1991).

2. Consolidation Of This Case With *Amgen v. Chugai*

Shortly after the Federal Circuit's decision concerning Genetics Institute's infringement of the '008 patent, Ortho commenced this action in the U.S. District Court for the District of Massachusetts. In this action, Ortho seeks damages for the injury it suffered as a result of Genetics Institute's infringing acts in Ortho's exclusive licensed field. As required under this Court's decision in *Independent Wireless Telegraph Co. v. Radio Corp. of America*, 269 U.S. 459, Ortho named the patent owner, Amgen, as a party in this action.

After commencing this action, Ortho promptly sought -- and obtained -- an order consolidating this action with the *Amgen v. Chugai* case. (Appendix E hereto). As a result of the consolidation order, all claims against Genetics Institute for damages based on its infringement of the '008 patent were subject to joint discovery in one consolidated action, and could be resolved in a single trial.

3. The District Court's Decision On Standing

Before answering the complaint, Genetics Institute moved to dismiss this action. Its theory was that Ortho was a "mere licensee," and therefore lacked standing to sue for infringement of the '008 patent. Seeking to usurp Ortho's rightful damages, Amgen joined in that motion.

In deciding the standing motion, the district court recognized that under this Court's decision in *Independent Wireless*, exclusive licensees are entitled to sue for infringing acts in their particular field-of-use. Thus, the district court stated:

> "An exclusive licensee generally has standing to sue for infringement against anyone operating without the stated authority in the stated area of exclusivity."

Amgen v. Chugai, 808 F. Supp. at 899 (App. B at B10-11) (quoting D. Chisum, *Patents*, § 21.03[2][c] at 21-157 [1991]). The district court also recognized that for standing purposes under *Independent Wireless*, an exclusive license "can be created by a grant of exclusivity based solely on . . . field-of-use limitations." *Amgen v. Chugai*, 808 F. Supp. at 900 (App. B at 12).

Consistent with *Independent Wireless*, the district court next analyzed whether Ortho's rights in its designated field are exclusive. It found that Ortho does indeed have an exclusive license in a particular field-of-use -- that field being use of the '008 invention in the United States, for the purpose of making EPO in the United States, for sale everywhere in the world outside the United States (excluding China and Japan). Thus, the district court stated:

> [Ortho holds] an "exclusive license" to use the invention claimed in the '008 patent for the manufacture of EPO . . . in the U.S. . . . for use sale outside the U.S. (excluding China and Japan).

Amgen v. Chugai, 808 F. Supp. at 902 (App. B at B-16). The district court also found that:

> [The License Agreement] clearly . . . precludes Amgen from licensing to any third parties the right to manufacture EPO in the U.S. under the '008 patent for sale abroad.

Id. In addition, the district court found that Genetics Institute's infringing acts had occurred in Ortho's exclusive field-of-use. *Id.*, 808 F. Supp. at 897 (App. B at B-6).

These findings are unquestionably correct. Neither Amgen or Genetics Institute challenged them on appeal. These findings should have ended the standing inquiry, compelling the conclusion that Ortho has standing to sue for infringement in its exclusive field-of-use.

The district court, however, went on to deny Ortho standing. The basis for this conclusion was a bizarre and unprecedented theory -- that a field-of-use license which "grants an exclusive license to use the inventions claimed in the '008 patent . . . in the U.S. to make an unpatented product (EPO) for sale abroad" somehow "exceeds the scope of the . . . patent," and therefore cannot provide a basis for standing. *Amgen v. Chugai*, 808 F. Supp. at 904 (App. B at B-21).

This theory appears to confuse the threshold issue of standing with the affirmative defense of patent misuse. The patent misuse doctrine permits an accused infringer to assert, by way of affirmative defense, that a patent owner's rights are unenforceable because the patent owner has required its licensees to accept license terms with anticompetitive effects "extending beyond the patentee's statutory right to exclude."[2]

However, the patent misuse doctrine -- like any affirmative defense -- only comes into play after the issue of standing is resolved (if it comes into play at all). It has no place whatsoever in the standing inquiry, just as other affirmative defenses have no bearing on whether a particular

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2 *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 708 (Fed. Cir. 1992).

plaintiff has standing to sue. The district court erred in confusing the standing issue with the entirely separate issue of whether Ortho's field-of-use license somehow "exceeds the scope of the '008 patent." *Amgen v. Chugai*, 808 F. Supp. at 904 (App. B at B-20).

The district court then compounded that error by concluding that Ortho's field-of-use license does indeed "exceed" the scope of the '008 patent. *Id.* This conclusion was wrong as a matter of law, and the Court of Appeals, quite sensibly, did not endorse it. Ortho's license, to use the patented invention in the United States for a particular purpose, covers a significant *part* of the proprietary "use" right conferred by the '008 patent. But it does not cover *more* than that right, and it does not in any way "exceed" the scope of the patent.

Moreover, even a license that extends beyond the patentee's statutory right to exclude does not render patent rights unenforceable absent proof of "anticompetitive effects" extending beyond the patentee's statutory right to exclude.[3] There was no evidence whatsoever that Ortho's field-of-use license has "anticompetitive effects."

4. Ortho's Motion For Rule 54(a) Certification

After the district court dismissed Ortho's complaint, Ortho moved in the district court for an order certifying the decision for appeal under Rule 54(a), Fed.R.Civ.P. Ortho filed its Rule 54(a) motion because the law in the Federal Circuit was not settled as to whether an order dismissing one of several

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[3] *Mallinckrodt*, 976 F.2d at 708.

consolidated actions is a final, non-interlocutory order that is appealable absent Rule 54(a) certification.[4]

In response to Ortho's motion for Rule 54(a) certification, the district court eliminated any need for certification by rescinding its prior order consolidating this case with the *Amgen v. Chugai* action. This removed any possible barrier to an appeal by Ortho. *See* Appendix E hereto.

5. The Federal Circuit's Decision

The Federal Court affirmed the district court's decision in an opinion which is reported at 52 F.3d 1026. The Federal Court did not adopt the rationale adopted by the district court. But it took an approach that was equally unprecedented and incorrect. The Federal Circuit effectively overruled this Court's decision in *Independent Wireless.*

Under *Independent Wireless*, whether a field-of-use licensee has standing depends on whether its rights are exclusive *in the particular field-of-use* where the acts of infringement took place. The Federal Circuit, however, never addressed the exclusivity of Ortho's rights *in its designated field-of-use*. Instead, it made Ortho's standing depend on exclusivity with respect to the *entirety* of the "use" right conferred by the patent -- something that field-of-use licensees

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[4] *Compare Kraft, Inc. v. Local Union 327, Teamsters*, 683 F.2d 131, 133 (6th Cir. 1982) (holding that a judgment in one of several consolidated actions is final and appealable), with *Huene v. United States*, 743 F.2d 703, 705 (9th Cir. 1984) (reaching the opposite conclusion). *See also, Hageman v. City Investing Co.*, 851 F.2d 69, 71 (2d Cir. 1988) (collecting cases).

never have. *See, Ortho v. Genetics Institute*, 52 F.3d at 1034 (App. A at A-16).

In addressing the exclusivity of Ortho's rights under the '008 patent, the Federal Circuit started by demolishing a straw man. It stated that "Ortho's right *to sell unpatented EPO abroad* . . . [is] not a proprietary right arising under the '008 patent." *Id.*, 52 F.3d at 1033 (App. A at A-15) (emphasis added). That is correct but irrelevant, since the *sale* of unpatented EPO is *not* the field-of-use where Genetics Institute's infringing acts took place, and it is not the field-of-use that provides the basis for Ortho's standing.

The Federal Circuit also stated that "Ortho's right *to use the '008 invention at one location in the United States"* is "nonexclusive." *Id.*, 52 F.3d at 1034 (App. A at A-16) (emphasis added). But an *unparticularized* right to "use the '008 invention at one location in the United States," *id.*, once again, is *not* the proprietary field-of-use right that gives Ortho standing.

The right that *does* give Ortho standing is an exclusive field-of-use right, under the '008 patent, to *use the '008 invention in the United States for the purpose of making EPO in the United States, for use and sale everywhere in the world outside the U.S. (excluding China and Japan).* It is undisputed that Ortho has exclusive rights in this particular field-of-use. The district court so found,[5] and its findings were not challenged on appeal.

By allowing an exclusive licensee to have standing only if its license confers an exclusive right to use the patented

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[5] *Amgen v. Chugai*, 808 F. Supp. at 902 (App. B at B-16).

invention *in general*, the Federal Circuit decision makes it impossible for the holder of an exclusive field-of-use license *ever* to have standing to sue for acts of infringement in its exclusive licensed field. That result cannot be reconciled with this Court's decision in *Independent Wireless*.

REASONS FOR GRANTING THE WRIT

I. The Federal Circuit's Decision Conflicts with Decisions of This Court and of Other Circuits

This Court held in *Independent Wireless Telegraph Co. v. Radio Corp. of America*, 269 U.S. 459 (1926), that the holder of an exclusive license has standing to sue for acts of patent infringement in its designated field-of-use, provided that its rights *in that particular field* are exclusive and provided further that the patent owner is also a party.

Following *Independent Wireless*, lower cases were unanimous in holding that an exclusive license in a particular field-of-use is sufficient to confer standing. *See, e.g.:*

-- *Western Electric Co., Inc. v. Pacent Reproducer Corp.*, 42 F.2d 116 (2d Cir. 1930) (holding that an exclusive field-of-use license to use a patented invention only for production of sound records was a sufficient basis for standing);

-- *Brunswick Corp. v. United States*, 19 USPQ2d 1702 (Ct. Cl. 1991) (holding that an exclusive field-of-use license to manufacture and sell patented camouflage material only for one

particular customer was a sufficient basis for standing);

- *Sanofi, S.A. v. Med-Tech Veterinarian Products, Inc.*, 222 USPQ 143 (D. Kan. 1983) (holding that an exclusive field-of-use license to use a patented invention only in the veterinary field was a sufficient basis for standing);

- *Pratt & Whitney Co. v. United States*, 153 F. Supp. 409, 114 USPQ 246 (Ct. Cl. 1957) (holding that an exclusive field-of-use license to use a patented invention only with engines in aircraft and guided missiles was a sufficient basis for standing).

Until this case, we are not aware of *any* decisions denying the holder of an exclusive field-of-use license standing to sue for infringing acts in its exclusive licensed field, where, as here, the patent owner is also a party.

This case departs from this previously unbroken line of precedent. Contrary to *Independent Wireless* and the field-of-use cases following it, the Federal Circuit made standing for an exclusive field-of-use licensee depend on the exclusivity of its rights with respect to the *entirety* of the "use" right. *Ortho v. Genetics Institute*, 52 F.3d at 1034 (App. A at A-16).

The Federal Circuit's approach is in direct conflict with *Independent Wireless* and its progeny. Under *Independent Wireless*, the test of standing for a field-of-use licensee is exclusivity *within the particular field-of-use* where the acts of infringement occurred. The test is not -- and cannot be -- exclusivity of the license with respect to the *entirety* of the "use" right.

By definition, holders of exclusive field-of-use licenses have not been granted exclusivity for the *entirety* of the "use" right. Making standing for holders of such licenses depend on exclusivity in the *totality* of the "use" right, as the Federal Circuit has done, would leave exclusive field-of-use licensees unable to sue for infringement in their particular field-of-use. That result is directly contrary to *Independent Wireless*, and effectively overrules it.

Because the Federal Circuit hears all appeals in patent infringement cases, other circuits will not have any opportunity to address this issue. Unless this Court grants Ortho's petition for a writ of certiorari, the Federal Circuit's approach will be followed in patent infringement cases throughout the country, and exclusive field-of-use licensees will no longer have the standing that they are entitled to under *Independent Wireless*.

II. Allowing Exclusive Field-Of-Use Licensees to Sue for Infringement In Their Designated Fields-Of-Use Is "Indispensible"

This Court has previously recognized the importance of the issues presented by this case. As this Court emphasized in *Independent Wireless*, permitting an exclusive field-of-use licensee to sue for infringement in its exclusive licensed field is "indispensable to the enjoyment by the [exclusive] licensee of the monopoly" which it has been given under the terms of the license. *Id.*, 269 U.S. at 469.

Exclusive licenses, which provide a basis for standing under this Court's prior decisions, are different in their basic nature from non-exclusive licenses, which do not have that effect. A non-exclusive license is merely a grant of permission to practice the patent in a given area without being sued for

infringement; it does not carry with it any promise that the patent owner will refrain from giving the same permission to third-parties. Thus, the holder of a non-exclusive license has every reason to expect that other parties will practice the patent in the area of its license -- and has no basis for complaint in the event a third-party does so.[6]

In contrast, an exclusive license is much more than a mere permission to practice the patent in a given field. It is a binding promise that the same permission will not be given to anyone else. Thus, it gives the exclusive licensee a justified expectation that no one else will share its rights to practice the patent. In this sense, the exclusive licensee, like the patent owner, enjoys a legally protected "monopoly," *Independent Wireless*, 269 U.S. at 469, in its designated area of use. Its rights -- in being the only one who can practice the patent in the area covered by license -- thus come "close to . . . truly proprietary interests in the patent . . ." *Philadelphia Brief Case Co. v. Specialty Leather Products Co.*, 145 F. Supp. 425, 428 (D.N.J. 1956), *aff'd*, 242 F.2d 511 (3d Cir. 1957). Under *Independent Wireless*, the measure of that protectible interest is exclusivity in the area of use where the infringing acts occur.

If a third-party practices the patent in the area covered by an exclusive license, the holder of the exclusive license is deprived of precisely the exclusivity that its license is meant to confer. The effect is the same as if the patent owner violated the promise of exclusivity by granting additional licenses in the area covered by the exclusive license.

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6 *See, Waterman v. McKenzie*, 138 U.S. 252 (1891); *Schneider (Europe) AG v. SciMed Life Systems, Inc.*, 28 USPQ2d 1225, 1229 (D.Minn. 1993).

In such circumstances, the exclusive licensee is the party "directly injured" by the acts of infringement in its exclusive licensed field.[7] To be sure, the licensor may be injured indirectly, through the loss of royalties it might otherwise receive from its exclusive licensee. But it is the holder of an exclusive license whose exclusive rights are directly invaded, and indeed destroyed, by reason of infringing acts in the area of its license.

Permitting the patent owner, and not the exclusive licensee, to recover the damages attributable to infringing acts within the exclusive licensed field would, in effect, reward patent owners who acquiesce in acts of infringement by giving them, and not the exclusive licensee, the damages for that infringement.

Until this case, courts have not permitted this inequitable result. They have recognized that the holder of an exclusive license may sue for infringing acts in its licensed field, provided that the patent owner is also a party. *See, e.g., Independent Wireless*, 269 U.S. 459; *Waterman v. McKenzie*, 138 U.S. 252.[8]

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[7] *Duplan Corp. v. Deering Milliken Research Corp.*, 522 F.2d 809, 814 (4th Cir. 1975).

[8] *See also, Weinar v. Rollform, Inc.*, 744 F.2d 797, 807 (Fed. Cir. 1984), *cert. denied*, 470 U.S. 1084 (1985) (party with exclusive right to distribute in the United States may be joined with the patent owner; "two parties sharing the property rights represented by a patent may have their respective rights protected by injunction and each, when properly joined in a suit, may be entitled to damages."); *Duplan Corp. v. Deering Milliken Research Corp.*, 522 F.2d 809 (4th

Because the licensor and the exclusive licensee suffer injuries that are different in kind, courts have also recognized that the "measure of damages" should be different for each.[9] In cases where the licensor's only injury is the loss of royalties it otherwise would have received from its exclusive licensee, the damages "adequate to compensate" the licensor for the infringement, 28 U.S.C. § 284, would not exceed the bare minimum recoverable under the patent statute, *i.e.*, a "reasonable royalty." *Id.* In contrast, the injury to the holder of an exclusive license -- and its recoverable damages -- may be much greater. For the exclusive licensee, the damages "adequate to compensate for the infringement," 35 U.S.C. § 284, may include lost profits in an amount exceeding the royalties that the licensor has lost.

If parties holding exclusive licenses were not allowed to recover for their injury, infringers would escape responsibility for the full measure of damages caused by their wrongful acts.

Cir. 1975); *Jeoffroy Mfg. Inc. v. Graham*, 206 F.2d 772 (5th Cir. 1953), *cert. denied*, 337 U.S. 920 (1954); *Site Microsurgical Systems, Inc. v. Cooper Companies, Inc.*, 797 F. Supp. 333, 337 (D. Del. 1992); *Calgon Corp. v. Nalco Chemical Co.*, 726 F. Supp. 983, 988 (D. Del. 1989) ("The exclusive licensee should, in equity, be able to commence an action for infringement when the patent owner refuses to vindicate his rights."); *Dreamlite Holdings Ltd. v. Kraser*, 9 USPQ2d 1401, 1403 (E.D.N.Y. 1988), *aff'd*, 878 F.2d 1446 (Fed. Cir. 1989)(unpublished); *Sanofi, S.A. v. Med-Tech Veterinarian Products, Inc.*, 565 F. Supp. 931.

[9] *See, e.g., Cold Metal Process Co. v. E.W. Bliss Co.*, 285 F.2d 231, 240-41 (6th Cir. 1960).

Duplan, 522 F.2d at 815. That result would be inconsistent with the basic purposes of the patent laws.

Under *Independent Wireless*, the principles discussed above are fully applicable to field-of-use licenses, which confer rights in a *portion* (but not the entirety) of the overall right to make, use or sell that is covered by the patent grant. Field-of-use licenses are a common feature of patent licenses.

The practice of granting field-of-use licenses has long been recognized and approved by courts. *See, e.g., General Talking Pictures Corp. v. Western Electric Co.*, 304 U.S. 175, *aff'd on rehearing*, 305 U.S. 124 (1939). As this Court stated more than half a century ago:

> The practice of granting licenses for a restricted use is an old one . . . . So far as appears, its legality has never been questioned.

Id., 305 U.S. at 127. Following *General Talking Pictures*, lower courts have approved of field-of-use licenses in an unbroken line of cases.[10]

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[10] *See, e.g.*: *United States v. Studiengesellschaft Kohle, m.b.H.*, 670 F.2d 1122, 1126 (D.C.C. 1981); *Armstrong v. Motorola, Inc.*, 374 F.2d 764, 774 (7th Cir.), *cert. denied*, 389 U.S. 830 (1967); *Barr Rubber Products Co. v. Sun Rubber Co.*, 277 F. Supp. 484, 506 (S.D.N.Y. 1967), *modified on other issues*, 425 F.2d 1114 (2d Cir.), *cert. denied*, 400 U.S. 878 (1970); *Westinghouse Electric Corp. v. Bulldog Electric Products Co.*, 106 F. Supp. 819 (D.W.Va. 1952), *aff'd*, 206 F.2d 574 (4th Cir.), *cert. denied*, 346 U.S. 909 (1953); *Q-Tips, Inc. v. Johnson & Johnson*, 109 F. Supp. 657 (D.N.J. 1951), *aff'd*, 207 F.2d 509

The factors that justify standing for exclusive licensees apply with full force where the license confers exclusivity in a particular field-of-use. Like the patent owner itself, the holder of an exclusive field-of-use license enjoys a justified expectation that third-parties will not practice the patent in the designated area of use. Like the patent owner, the holder of such a license is entitled to exclusive enjoyment of proprietary rights conferred by the patent in a particular area. Acts of infringement in its designated field-of-use destroy the exclusive rights that its license is meant to confer, and cause direct injury in the designated field-of-use. Permitting the holder of such a license to sue for infringing acts in their field-of-use is thus "indispensable" to the enjoyment of the exclusive rights it has been given. *Independent Wireless*, 269 U.S. at 469.

Until the Federal Circuit's decision in this case, the law was clear that field-of-use licensees were entitled to sue for acts of infringement in their designated area of use, provided that their rights in the particular field-of-use are exclusive and provided further that the patent owner is named as a party.

The Federal Circuit's decision in this case is a departure from that previously unbroken line of authority. The decision establishes a dangerous precedent. It leaves parties holding exclusive field-of-use licenses without a remedy for the direct injury they suffer by reason of infringing acts in their designated fields-of-use. It thereby diminishes the value of field-of-use licenses, and indirectly, of patents themselves. It should be reviewed on certiorari.

(3d Cir. 1953), *cert. denied*, 347 U.S. 935 (1954).

CONCLUSION

For the reasons set forth above, this Court should grant Ortho's petition for a writ of certiorari.

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Respectfully submitted,

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